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C O N F I D E N T I A L SECTION 2 OF 03 SOFIA 000590

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FOR NSA HADLEY FOM AMBASSADOR BEYRLE

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SUBJECT: YOUR JUNE 10-11VISIT TO SOFIA

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the highest percentage in any EUcountry. Today, an ethnic Turkish party is a meber of the ruling coalition. Mosques, synagogue and churches need no special security or police rotection. A deeply-rooted tradition of acceptance-- against the backdrop of the country's membership in NATO and the EU and stong ecoomic growth -- makes Bulgaria a strong model for its neighbors to the West, which would like to replicate these successes. Bulgaria has been supportive of quick resolution of Kosovo's status through a UNSC resolution. Parvanov and Stanishev have carried this rhetorical backing a step further, engaging personally with Kostunica, Tadic and other Serb leaders and urging them to focus on their future in Europe instead of a past they can never recapture. Bulgarian forces have served with distinction in Bosnia and Kosovo, adding further stature to these efforts.

7.(C) We want to see Bulgaria build on this role as a regional advocate. To the west, Macedonia, Albania and Croatia will benefit from Bulgaria's counsel as they pursue their own membership in NATO. To the east, the countries of the Black Sea region will also find a lot to emulate in Bulgaria's recent history. Bulgaria serves as the lead NATO Embassy in Tbilisi, and has (so far) successfully resisted Russian demands to curb its legal arms sales to Georgia. But the strong Bulgarian instinct to maintain a lower profile prevents them from doing even more to build a stronger consensus on Black Sea deomcracy and security initiatives, especially with Romania and Turkey. In your meetings with the President and Prime Minister and your public remarks, you can urge Bulgaria to elevate its sights and promote its successes more actively.

Economic Success . . . and some Unfinished Business

8.(C) When you and President Parvanov met in Washington in 2005, you agreed that we needed to work harder to bring U.S. - Bulgarian trade and economic relations up to the high level of our security and political relationship. We have been working hard at it, and we have some results to celebrate. The two largest investments in Bulgarian history, totaling over \$3 billion, were made by U.S. companies over the past 12 months. And the roster of blue-chip U.S. firms continues to grow, including AES, Alcoa, AIG, Microsoft, Hewlett-Packard, American Standard, as well as dozens of other smaller companies, especially in the IT sector. USAID assistance programs helped prime the pump for some of this success: an

enterprise fund started with \$50 million in seed capital in 1991 helped create some of the most successful businesses in Bulgaria today, including a major bank with assets valued at over \$350 million. The returns on these investments have been capitalized at more than \$200 million, which will serve as the starting endowment for a major U.S.-Bulgarian Foundation which will continue supporting Bulgarian entrepreneurs. You will announce the creation of this Foundation during your visit, a tangible symbol of how the partnership with the United States has paid off for the country.

9.(C) But there is a skunk circling this picnic. Like most countries emerging from communism, Bulgaria endured a wave of questionable privatizations and suspect sell-offs during the 1990's that enriched a class of "businessmen" with the means to manipulate judicial outcomes and influence political decision-making. The most vital piece of unfinished business in Bulgaria's otherwise successful transformation is developing the political will among the leadership to confront the issue of corruption and crime head-on. The Prime Minister and President need to understand that Bulgaria's ability to build the stronger partnership with the United States they seek -- and to increase the flow of Western investment -- depends on their action to break the habits of corruption that weaken public faith in democracy. A recent opinion poll showed that for the first time, a majority of Bulgarians identify corruption as the single most important problem facing the country, so this issue is less a favor to us than a matter of political survival for them.

The Nurses

10.(C) No issue is more emotionally charged for Bulgarians than the fate of the five women held under death sentence. Since joining the EU, the Bulgarians have enjoyed a renewed wave of support from their European partners in the form of direct appeals to Qaddafi, parliamentary resolutions, and donations to help treat the HIV-infected children in Libya. But the President and Prime Minister have told me many times they believe it is pressure from the United States, in the end, that will have the decisive effect in getting the nurses

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